BRANDES
INVESTMENT PARTNERS

Brandes Investment Partners
Emerging Markets Equity Strategy Notes
Second Quarter 2025 (April 1 – June 30, 2025)

The Brandes Emerging Markets Equity Strategy returned 16.96% net of fees and 17.09% gross of fees, outperforming its benchmark, the MSCI Emerging Markets Index, which was up 11.99% in the quarter, and the MSCI Emerging Markets Value Index, which gained 10.02%.

Annualized total return as of June 30, 2025	1-year	5-year	10-year
Brandes Emerging Markets Equity Composite (net)	26.28%	14.27%	6.86%
Brandes Emerging Markets Equity Composite (gross)	26.97%	14.90%	7.56%
MSCI Emerging Markets Index	15.29%	6.80%	4.81%

Past performance is not a guarantee of future results. One cannot invest directly in an index. Returns include reinvestment of all dividends and are reduced by any applicable foreign withholding taxes, without provisions for income taxes, if any.

Positive Contributors
Holdings in technology, financials, and communication services led performance.

Taiwanese server manufacturer Wiwynn Corporation rallied as its investments in next-generation hyperscale data centers benefited from robust demand for AI infrastructure. Taiwan Semiconductor Manufacturing Company (TSMC) also helped returns as its leadership in advanced chip manufacturing and central role in AI-related demand drove positive investor sentiment and earnings momentum. Meanwhile, Chinese online gaming company NetEase rebounded as regulatory concerns eased and monetization of new game titles accelerated.

Within financials, Georgia-based TBC Bank Group maintained strong loan growth and profitability amid a resilient macroeconomic environment. Similarly, South Korean Hana Financial Group rose on solid earnings and improved investor sentiment toward Korean financials in general.

Other notable contributors included Brazil-based wireless telecom provider TIM S.A., which advanced as its subscriber base grew, its revenue continued to grow above inflation, and its margins strengthened.

Performance Detractors
Several holdings in China detracted from performance. Alibaba declined due to concerns about the pace of consumer recovery in China and overall negative sentiment toward ADRs (American depository receipts). Haier Smart Home faced challenges from a sluggish housing market, margin compression in its appliance segment, and concerns over U.S. tariffs. Meanwhile, pricing pressure and heightened competition in parcel delivery weighed on logistics company ZTO Express.

Brazil-based integrated oil firm Petrobras also hurt returns as it dealt with falling oil prices and political uncertainty. Additionally, Singapore-based agribusiness Wilmar International declined on lower palm oil prices and foreign exchange-related headwinds.

Select Activity in the Quarter
The emerging markets investment committee initiated a position in South Korea-based Hankook Tire & Technology.

Hankook Tire & Technology, Korea’s largest tire manufacturer and the seventh largest globally, focuses on passenger and light-duty vehicle tires. Hankook is considered a second-tier player in the industry, producing good quality tires that sell at a discount to the products of first-tier players. In the last few years, Hankook has been able to modestly increase its market share in both the original equipment and replacement markets. Hankook’s share price came under pressure over the past year, largely due to capital allocation concerns. Hankook, a longtime shareholder of auto components supplier Hanon Systems, increased its stake from 20% to a controlling interest over 50% at a significant premium to Hanon’s share price in 2024. While we agree that the transaction was value destructive, we believe the market has overreacted to the news and undervalued the earnings power of the business.

We appreciate that Hankook maintains a strong, net-cash balance sheet following the Hanon Systems transaction. Additionally, the majority of demand for Hankook's tires is for replacement tires versus new vehicle tires, which, although somewhat cyclical in nature, positions Hankook more defensively. The company has also been making investments to gain market share in the U.S. and Europe, and it has a competitive offering in electric vehicle (EV) tires. EVs require more advanced tires, which are sold at a premium and can have a shorter replacement cycle. At its current valuation, Hankook offers a compelling investment opportunity to us.

In addition to initiating a position in Hankook, the committee exited our positions in China-based NetEase and India-based Indus Towers after the shares appreciated to our estimates of their intrinsic value.

Year-to-Date Briefing

The Brandes Emerging Markets Equity Strategy rose 22.72% net of fees and 23.10% gross of fees, outperforming its benchmark, the MSCI Emerging Markets Index, which appreciated 15.27% in the six months ended June 30, 2025, and the MSCI Emerging Markets Value Index which rose 14.77%.

Holdings in Brazil were strong drivers of performance, led by regional jet manufacturer Embraer, wireless telecom services provider TIM S.A., and retailer Sendas Distribuidora. On a sector/industry basis, holdings in information technology and banks did well. Standout contributors included Samsung Electronics, SK Hynix, and Taiwan Semiconductor Manufacturing Company, as well as Erste Group Bank and Hana Financial Group. Additionally, our underweight to India aided relative returns.

Major detractors included select China-domiciled companies, specifically China Education Group, ZTO Express, and Haier Smart Home. Hong Kong-listed semiconductor company ASMPT and Indonesian tobacco business Gudang Garam also performed poorly.

Current Positioning

The portfolio maintains a significant overweight in Latin America, with diversified investments in telecommunications, utilities, energy, and real estate. It continues to have lower allocations to India and Taiwan relative to the benchmark. We also remain underweight China, where we have limited exposure to exporters and maintain positions in businesses that focus on domestic consumption.

Tariffs dominated the quarter's headlines following U.S. President Trump's "Liberation Day" announcement in early April and subsequent bilateral trade negotiations. Overall, while tariffs and trade tensions present challenges, we believe the portfolio—with its focus on domestic consumption, strong governance, and balance sheet strength—is strategically positioned to manage risks and capitalize on opportunities.

We continue to find compelling value in select businesses in Mexico, where market concerns around tariffs persist. The majority of our exposure in Mexico centers on domestic consumption through holdings in leading businesses such as consumer products company Kimberly-Clark de Mexico, real estate investment trust Fibra Uno, and grocer Walmex.

We remain comfortable with the risk/reward tradeoff that our holdings offer and optimistic about the long-term prospects of the Brandes Emerging Markets Equity Strategy.

For term definitions, please refer to https://www.brandes.com/termdefinitions

The MSCI Emerging Markets Index with net dividends captures large and mid cap representation of emerging market countries.

The MSCI Emerging Markets Value Index with gross dividends captures large and mid cap securities exhibiting value style characteristics, defined using book value to price, 12-month forward earnings to price, and dividend yield.

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